

FISCAL IMPACT STATEMENT ON BILL NO. **S.332, SJC Working Document**  
(Doc. No. Unknown)

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TO:	The Honorable Glenn McConnell, Chairman, Senate Judiciary Committee		
FROM:	Office of State Budget, Budget and Control Board		
ANALYSTS:	Beth Campbell and Ken Brown		
DATE:	March 20, 2007	SBD:	2007254

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AUTHOR:	Senate Judiciary Committee	PRIMARY CODE CITE:	38-55-530
SUBJECT:	Workers' Compensation Reform		

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ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:  
See Below

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:  
See Below

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**BILL SUMMARY:**

Senate Bill 332, with the working document amendment, would amend multiple sections of the Code of Laws of South Carolina, 1976, affecting the payment of Workers' Compensation claims, the number of Workers' Compensation Commissioners, and the dissolution of the Second Injury Fund.

**EXPLANATION OF IMPACT:**

Workers' Compensation Commission

The Commission reports that for Part I of the Bill, it would require 4.00 new FTEs for two Commissioners and two Administrative Assistants at an annual cost to the General Fund of \$530,000 for salary, fringe and other operating expenses. There would also be a non-recurring cost to the General Fund of \$30,600 for other operating expenses due to office setup. For Part II of the Bill, there will be no impact on the General Fund of the State or on Federal and/or Other Funds.

Attorney General's Office

The Office reports that for Part I of the Bill, it would require 1.00 new FTE for a Forensic Accountant at an annual cost to the General Fund of \$108,000 for salary, fringe and other operating expenses. For Part II of the Bill, there will be no impact on the General Fund of the State or on Federal and/or Other Funds.

State Accident Fund

The Agency indicates Part I of this Bill has the potential for a reduced cost of workers' compensation claims due to clarification of benefits and increased predictability. However, the agency is unable to estimate the reduction in claims expenses due to the multiple numbers of factors involved. Part II of the Bill would have no impact on General Funds. The Uninsured Employers' Fund would be moved to the State Accident Fund, but there will be no impact on Federal and/or Other Funds. Dissolution of the Second Injury Fund may indirectly result in a minimal increase in premiums. However, this increase is anticipated to be short-term and is projected to be offset by anticipated savings noted in Part I of this Bill.

Second Injury Fund

The Fund reports Part I of this Bill may have a minimal cost to the Uninsured Employers' Fund due to an increase in workers' compensation claims costs. Part II of this Bill will significantly reduce the number of accepted claims. However, there will not be a significant impact on the payout of claims or on administrative costs until the fourth or fifth year after enactment.

The Bill will also reduce the assessment to all insurance carriers, including the State Accident Fund. The carriers will see an immediate reduction in their Fiscal Year 2007 annual assessment. There will be no additional costs to Federal and/or Other Funds until July 1, 2013, when the agency no longer accepts claims.

Department of Insurance

The Agency has been forwarded a copy of the Bill, and the response is pending.

Recapitulation

For Part I of the amendment, there will be an annual cost to the General Fund of \$638,000 with 5.00 new FTEs and a non-recurring cost to the General Fund of \$30,600. However, there will also be a savings of General, Federal and Other Funds based on reduced claims costs. Estimated savings amount is undeterminable.

For Part II of the amendment, there will be a significant reduction in Second Injury Fund payouts starting in fourth or fifth year after enactment. There will not be additional costs to Federal and/or Other Funds until July 1, 2013, when the Second Injury Fund no longer accepts claims.

**LOCAL GOVERNMENT IMPACT:**

None.

**SPECIAL NOTES:**

The Second Injury Fund has indicated the dissolution of the Fund would lead to an increase in workers' compensation insurance premiums for private employers. The increase, based on NCCI estimates, could be as much as 17%.

Approved by:

A handwritten signature in dark ink, appearing to read "Harry Bell", written in a cursive style.

Harry Bell  
Assistant Director, Office of State Budget